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# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
1998 Biennial Regulatory Review	)	CC Docket No. 98-117
Review of ARMIS Reporting	)	
Requirements	)	
•	)	

### COMMENTS OF BELLSOUTH

BELLSOUTH CORPORATION AND BELLSOUTH TELECOMMUNICATIONS, INC.

By their Attorneys:

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Date: August 20, 1998

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#### **SUMMARY**

Section 11 of the Telecommunications Act of 1996 ("1996 Act") contains an unambiguous mandate to the Commission to review and eliminate needless regulation. No area of regulation is more ripe for streamlining than the Commission's ARMIS reporting requirements. These rules were instituted to complement the accounting rules in an era when a carrier's cost also determined its prices. That, however, is no longer the case for large LECs. Price cap regulation has replaced cost based regulation, thereby breaking the link between a company's cost and its prices. Accordingly, many of the rules and regulations that were established to protect consumers under cost based regulation are simply no longer needed.

The Commission should take the opportunity of this Section 11 review to get rid of the many ARMIS reporting requirements that are unnecessary in the light of price cap regulation. The Commission, however, proposes to do very little to rid the industry of needless vestiges of cost based regulation, and instead proposes only to reduce some regulation for mid-sized LECs, many of which remain under cost based regulation. This is both ironic and illogical. There is simply no need for extensive ARMIS reporting requirements for the price cap LECs.

BellSouth does not oppose the changes proposed in the <u>Notice</u>. Indeed, BellSouth contends that any reduction in regulation is good for the industry because it moves the entire industry closer to where it should be – full competition without government interference. The proposals in the <u>Notice</u>, however, should be extended to all LECs. Retaining costly and time consuming regulation of only one class of carrier distorts the competitive marketplace.

Section 11 requires the Commission to eliminate marketplace distortions to the fullest extent possible consistent with the public interest. The Commission should not stop with the changes proposed in the Notice, but should go further and eliminate other rules that are no longer in the

public interest. BellSouth proposes many such changes in its Comments. Moreover, BellSouth also endorses the changes proposed in the Comments of the United States Telephone Association.

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### **COMMENTS OF BELLSOUTH**

BellSouth Corporation and BellSouth Telecommunications, Inc. ("BellSouth"), hereby comment on the issues raised in the Notice of Proposed Rulemaking ("Notice"), FCC 98-147, released July 17, 1998, in the captioned proceeding. For ease of reference, BellSouth has followed the order of presentation of the issues set forth in the Notice.

#### I. INTRODUCTION

In passing the Telecommunications Act of 1996 ("1996 Act"), Congress fully realized that existing regulation needed to be eliminated when it no longer served the public interest. In order to ensure proper reduction of unnecessary regulation, Congress included Section 11 in the 1996 Act:

#### Section 11. Regulatory Reform.

- (a) BIENNIAL REVIEW OF REGULATIONS.--In every even-numbered year (beginning with 1998), the Commission--
- (1) shall review <u>all regulations</u> issued under this chapter in effect at the time of the review that apply to the operations or activities of any provider of telecommunications service; and
- (2) shall determine whether such regulation is no longer necessary in the public interest as the result of meaningful economic competition between providers of such service.

(b) EFFECT OF DETERMINATION.--The Commission shall repeal or modify any regulation it determines to be no longer necessary in the public interest.

The Commission is under a statutory mandate to review <u>all</u> of its regulations to see if they are still required in the public interest, not simply a chosen few. The Commission's decision in this proceeding should also be informed by the clear deregulatory intent of the 1996 Act.

Specifically, Section 10 requires that the Commission forbear from applying any regulation or provision of the statute that are not necessary to ensure that "the charges, practices, classifications, or regulations" of a carrier "are just and reasonable." Sections 10 and 11 are complementary provisions enacted by Congress to ensure that regulation does not impede the operation of market forces as competition continues to grow in the telecommunications industry.

In light of the clear statutory directive to review <u>all</u> regulations and to remove or modify those that are no longer necessary, BellSouth is once again disappointed with the Commission's position regarding its obligation to modify or repeal regulation. As with other Biennial review proceedings, the <u>Notice</u> fails to request comment on the many regulations regarding ARMIS reporting that no longer serve the public interest. Indeed, the <u>Notice</u> proposes no meaningful reduction in regulation of large local exchange carriers ("LECs"), the entities most heavily regulated by the Commission.<sup>1</sup>

In overlooking the concerns of large LECs the <u>Notice</u> focuses on limiting regulatory relief of ARMIS reporting rules for only mid-sized LECs. There is simply no basis in the statute for such a "carve out." Section 11 requires the Commission to review <u>all regulations</u> that apply to the operations of any provider of telecommunications services. Thus, the Commission must

<sup>&</sup>lt;sup>1</sup> BellSouth acknowledges the limited account reduction in reporting in Section II.B. of the Notice. Those changes do little to reduce the heavy burden imposed by the Commission's ARMIS reporting.

address in this proceeding the continuing necessity for <u>each regulation</u> that it proposes to retain for <u>any provider</u> of telecommunications services, including the large LECs. The <u>Notice</u> does not begin to meet that statutory obligation.

The Commission applied this exact rationale in reviewing regulation in a companion proceeding seeking comments on proposals to change various accounting and cost allocation rules promulgated in Parts 32 and 64 ("Accounting Notice").<sup>2</sup> The Accounting Notice proposes to allow mid-sized LECs<sup>3</sup> to switch to Class B accounting while requiring large LECs to continue under Class A accounting.<sup>4</sup> Comparatively, this Notice proposes to require large LECs to continue to file its ARMIS reports under the Class A accounting level of detail. Moreover, it offers no other regulatory relief to large LECs.

The reasoning cited by the Commission in this <u>Notice</u> for requiring large LECs to maintain regulatory status quo in ARMIS reporting regulations is virtually identical to the reasoning cited in the <u>Accounting Notice</u> for not offering large LECs any reductions in the Parts

<sup>&</sup>lt;sup>2</sup>In the Matter of 1998 Biennial Regulatory Review—Review of Accounting and Cost Allocation Requirements and United States Telephone Association Petition for Rulemaking, CC Docket No. 98-81 and ASD File No. 98-64, Notice of Proposed Rulemaking, FCC 98-108, released June 17, 1998. In light of the relationship between the two proceedings, the Commission has since combined the comment schedules for the Accounting Notice and this Notice.

<sup>&</sup>lt;sup>3</sup> A mid-sized LEC is defined in both the <u>Accounting Notice</u> and the current <u>Notice</u> as a LEC with revenue of less than \$7 billion annually.

<sup>&</sup>lt;sup>4</sup> The <u>Accounting Notice</u> also proposed to consolidate a few accounts and eliminate a few reporting requirements for all LECs. However, it primarily requested comments on proposed changes in the accounting, Part 32, and cost allocation, Part 64, requirements of mid-sized LECs. It recommended that mid-sized LECs be allowed to use the Class B system of accounts instead of Class A. It also proposed to allow mid-sized LECs to file their Cost Allocation Manuals ("CAM") under the Class B system of accounts, and to allow mid-sized LECs to obtain a cost allocation audit once every two years instead of annually. Finally, it proposed to reduce the audit requirement to an attest audit in place of the current audit requirement in Part 64.

32 and 64 rules. <sup>5</sup> The Commission alleges it needs the additional information obtained in ARMIS reports filed under Class A accounting from the large LECs to "prevent cross-subsidization and discrimination" between competitive and non-competitive service. <sup>6</sup> Additionally, the Commission alleges that greater detail is needed from large LECs because they "conduct a higher volume of transactions involving competitive services." Thus, the Notice essentially concludes that the current level of detail in the ARMIS reports is needed for the same reasons that the Commission claims large LECs must maintain Class A accounting.

Just as the above reasons were not proper justification to deny large LECs relief from Class A accounting in the Accounting Notice, they are an equally improper justification for denying large LECs regulatory relief in this Notice. As BellSouth explained in its comments in the Accounting Notice, it, like all large LECs, is no longer under rate of return regulation, but has been subject to mandatory price regulation since 1990. The current ARMIS reporting rules are an extension of the accounting and cost allocation rules all of which were designed to complement the cost of service paradigm. It is impossible not to recognize that such reports and accounting rules have become a regulatory dinosaur in a price regulation environment. The price regulation paradigm breaks the link between accounting costs and rates, thereby eliminating the need to require such detailed ARMIS reports that large LECs are currently required to file.

Ironically, many of the mid-sized LECs remain under cost of service regulation. Thus, the Notice proposes to reduce the reporting requirements of carriers for which the requirements were

<sup>&</sup>lt;sup>5</sup> See, Section II. D., ARMIS Reporting Requirements for Large Incumbent LECs, of this Notice and Section II. ¶¶ 6-8 of the Accounting Notice.

<sup>&</sup>lt;sup>6</sup> Notice, ¶ 13.

<sup>&</sup>lt;sup>7</sup> <u>Id</u>.

designed, but keep the requirements on those carriers to which it no longer applies. It is hard to imagine a more arbitrary and capricious outcome or a more egregious breach of statutory duty.

The Notice contains no meaningful comparison of the relationship between price regulation and the detailed reporting requirements of ARMIS under Class A accounting. Such comparison should frame the Commission's entire review of its need for the information reported in the ARMIS reports for the Bell Operating Companies ("BOCs") and other price cap LECs. Any such comparison would clearly show that the requirement to report most of the detail information in these reports is simply a blind continuation of cost based, rate of return regulation. These rules are extremely costly to implement and serve no necessary purpose. The fact that to date the Commission has seen fit to retain some vestiges of cost of service regulation in the LEC price cap plan is an insufficient basis to retain all of the ARMIS reports that are currently required to be filed. The Commission's apparent intent to retain such unnecessary regulation is contrary to Congress' express directive, and contrary to the public interest.

Not only does failure to reduce needless regulation adversely affect large LECs, it also adversely affects the Commission. Commissioner Ness has recently acknowledged the need to

The lobbying expense audit cited in footnote 31 of the Notice is illustrative of the reduced need for detailed accounting under price regulation. There the Commission states that its auditors identified \$118 million in lobbying costs that the BOCs allegedly improperly included in their revenue requirements between 1989 and 1991. Accepting these unsubstantiated allegations at face value for discussion purposes only, under price regulation there have been no "revenue requirements" that dictate rate levels for eight years. Thus, even if costs now were improperly classified under price regulation, they would not affect a carrier's rates, and would not influence whether such rates are "just and reasonable." Hence, the public interest reason for maintaining the minutia of detail information currently required in the ARMIS reports is largely supplanted by the price regulation regime itself.

<sup>&</sup>lt;sup>9</sup> Indeed, BellSouth contends that price cap regulation has completely obviated the need for ARMIS reporting. Consequently, BellSouth supports the earlier proposal submitted to the Commission by the United States Telephone Association, ("USTA"). However, in the event that the Commission fails to adopt USTA' proposal, BellSouth sets forth its own proposal in Section C, infra.

reallocate resources within the Commission to actively focus on enforcement. Resources currently used to monitor the ARMIS reporting process could be easily re-deployed for such purposes. Because the need for ARMIS reporting has been eliminated with price cap regulation, personnel currently used for ARMIS compliance could be reallocated to enforcement activities resulting in a win-win proposition for the Commission.

Because the Commission has proposed to deny relief from ARMIS reporting to large LECs based on the identical reasoning proposes to deny regulatory relief to large LECs regarding accounting and cost allocation rules in the <u>Accounting Notice</u>, BellSouth has included as Appendix A a copy of the comments it filed in the <u>Accounting Notice</u> proceeding to be included in the record. The comments and arguments displayed in those Comments apply equally to the issues raised by the Commission in Section II. D. of this Notice.

#### II. DISCUSSION.

#### A. Eliminating Paper Filing Requirements.

BellSouth does not oppose the Commission's recommendation to eliminate the paper filing requirement of ARMIS reports. The significant costs associated with the reports, however, are in the preparation, not in copying the finished product. Accordingly, such elimination would yield only modest benefits to BellSouth in the form of time and costs savings.

BellSouth brings to the Commission's attention the requirement that an officer of the entity that is filing the reports must certify the ARMIS reports. Consequently, if the Commission

<sup>&</sup>lt;sup>10</sup> <u>See</u>, Separate Statement of Commissioner Susan Ness, Re: Amendment of Parts 2, 15, 18 and Other Parts of the Commission's Rules to Simplify and Streamline the Equipment Authorization Process for Radio Frequency Equipment, released April 2, 1998. <u>See also</u>, Ex Parte filed July 15, 1998, "Accounting Simplification in the Telecommunications Industry," prepared by Arthur Andersen LLP ("Arthur Andersen Report").

eliminates the paper copies, it should also modify the rules regarding the certification requirement in order to allow for compliance in a paper-less environment.

Related to the topic of report filing is the lack of a rule limiting the amount of time the Commission may require a LEC to re-file, in its entirety, any previously filed ARMIS report. The Commission can currently require LECs to re-file an entire report from any past period for such whimsical matters as rounding error. This unconscionable practice is a tremendous burden on the LEC especially for reports that are more than two years old. Electronic filing will not relieve this burden because the LEC must still re-create information from prior periods. Accordingly, BellSouth proposes that a two year time limitation, i.e., two years previous to the current year, be placed on any requirement of a LEC to re-file an ARMIS report.

### B. Equal Access, Payphone, and Inside Wire Data.

BellSouth commends the Commission in its recommendation to eliminate those portions of ARMIS Reports 43-01 and 43-04 related to equal access, inside wire, and payphone investment. BellSouth agrees that the Commission no longer needs this data for any regulatory purpose, and modification to eliminate such information from the reports is fully warranted.

Just as with the Accounting Notice, however, the Commission fell far short of its obligation to review and eliminate all of the regulations that is no longer in the public interest. BellSouth contends that many of the ARMIS reports could be eliminated or modified to delete the reporting of redundant information and information for which the Commission no longer has a legitimate use. BellSouth sets forth proposals for such revisions in Section C. below.

### C. Reduced Reporting for Mid-Sized Incumbent LECs.

Many of the mid-sized LECs remain under rate of return regulation instead of price regulation. Therefore, the ARMIS reporting requirements are arguably relevant to those carriers. BellSouth, however, does not oppose the proposed changes to the mid-sized LECs ARMIS reporting requirements set forth in the Notice. Indeed, such changes should be applied to large LECs as well. Furthermore, BellSouth believes that the Commission did not go far enough in its proposals to modify the ARMIS reporting requirements. Many other opportunities exist to repeal or modify regulations that are no longer in the public interest.

On July 1, 1998, BellSouth presented an ex parte presentation to the Common Carrier Bureau Chief proposing changes in ARMIS reporting requirements. Pursuant to paragraph 10 of the Notice, BellSouth includes those recommendations as part of its comments. The proposals are segregated between ARMIS financial reports and ARMIS network reports.

### 1. Recommendations for ARMIS Financial Reports – 43-01, 43-02, 43-03, 43-04, 495A, and 495B.

Many of the ARMIS financial reports require the reporting of redundant information, or information that no longer serves a legitimate use to the Commission. The reports should be revised or eliminated to reflect only that information that is needed by the Commission. The following sections include BellSouth's proposals for the ARMIS financial reports.

#### a. Streamline Report 43-01.

The existing 43-01 Report should be revised by eliminating access data, removing statistical data, and by providing a column for reporting of any specifically defined data that should be removed prior to jurisdictional separations. Statistical data, if required, should be

reported on a new Statistical Report proposed by BellSouth, proposed Report 43-02. An example of BellSouth's proposed Report 43-01 is attached as Exhibit I.

### b. Eliminate Reports 43-02 and 43-03.

Most of the data that is currently reported in 43-02 and 43-03 is also included in other reports including reports 43-01 and 43-04. Moreover, the non-regulated information from 43-03 can be reported in 43-01. Accordingly, 43-02 and 43-03 should be eliminated.

### c. Create a New Report 43-02 – Statistical Data

The Commission should create a new Report for statistical data, allocators, minutes of use, and other related information. BellSouth proposes that this Report be named 43-02. This Report should include all required statistical data for which the Commission has a legitimate use. An example of BellSouth's proposed Report 43-02 is attached as Exhibit II.

### d. Streamline Reports 43-04.

The detailed (categorized) reporting data that is currently displayed on Report 43-04 should be deleted. Additionally, the existing 43-04 Report should be revised to display data at the Class B level of accounts, consistent with Report 43-01. Finally, the display of allocators, factors and statistical data should be removed, and this data should be included in the new statistical report proposed by BellSouth, proposed Report 43-02.<sup>11</sup> An example of BellSouth's proposed Report 43-04 is attached as Exhibit III.

### e. Eliminate ARMIS Reports 495A and 495B.

The forecasts and actual usage data included in Reports 495A and 495B are already reviewed as part of the Joint Cost Order Compliance Audit and the Cost Allocation Manual

<sup>&</sup>lt;sup>11</sup> See, Section C.1.c., supra.

("CAM") spreadsheets reporting processes. These reports are therefore unnecessary and should be eliminated.

### 2. Recommendations for ARMIS Network Reports – 43-05, 43-06, 43-07, and 43-08.

Monitoring the network infrastructure through ARMIS reports is no longer needed in todays competitive environment. If the large LECs do not provide the services, or provide inadequate services, demanded by their customers, those customers will "vote with their feet" and obtain service from a competitor. Even in areas where competition is not yet prevalent, incumbent LECs try to increase their profitability by marketing new services to existing customers. Incumbent LECs therefore have every incentive to invest in infrastructure if that investment will provide products and services to market to their customers, or will create more satisfied loyal customers. Moreover, many of the ARMIS network reports require the reporting of redundant information, or information that no longer serves a legitimate use to the Commission. Accordingly, the reports should be revised or eliminated to reflect only that information that is needed by the Commission. The following sections include BellSouth's proposals for the ARMIS network reports.

### a. Eliminate Table I of Report 43-05, Interexchange Access-Installation and Repair.

This table is no longer needed because BellSouth and other large LECs specify intervals for services shown in this Table in its tariffs and service agreements. BellSouth provides credits for service interruptions, and its access customers are provided with specified dollar amounts when performance of DS-O and DS-1 service installation intervals fall below specified criteria.

The interexchange carriers ("IXCs") are the largest and most sophisticated customers of the price cap LECs. <sup>12</sup> These carriers monitor the quality of the access services provided to them on a real-time basis and insist on immediate corrective action if there is a service disruption. Non-discrimination requirements assure smaller IXCs of comparable service quality. The access customers of the LECs do no need a report filed a year after the fact to determine whether they receive adequate service quality. The public interest is not served by such unnecessary reporting and this Table should be eliminated.

### b. Eliminate Table II of Report 43-05, Local Installation and Repair.

Local service properly falls under the jurisdiction of state regulators. State regulators are fully capable and have established appropriate requirements to monitor local installation and repair issues within their jurisdiction. Accordingly, the public interest is not served by requiring LECs to provide such burdensome and unnecessary reporting and this Table should be eliminated.

### c. Eliminate Table III of Report 43-05, Common Trunk Blockage.

BellSouth, and most of the large LECs, have performed extremely well in preventing truck blockage. Indeed, the Commission has determined, in the Price Cap proceeding, that service quality has not declined. Consequently, the need for this table has completely diminished and it should be eliminated.

Even MCI acknowledges that this information is already available to interexchange carriers. See, In the Matter of Proposed Modification to ARMIS 43-07 Infrastructure Report, AAD File No. 98-22, Comments filed by MCI at 2.

<sup>&</sup>lt;sup>13</sup> In the Matter of Price Cap Performance Review for Local Exchange Carriers, *First Report and Order*, CC Docket No. 94-1, 10 FCC Rcd 8961, 9116-9121 (1995).

<sup>&</sup>lt;sup>14</sup> See, the Independent Telephone and Telecommunications Alliance's ("ITTA") Petition for Forbearance from ARMIS Report Requirements, filed February 17, 1998, ("Since the

### d. Reclassify Table IV as Table I of Report 43-05 and Eliminate Table IV.A of Report 43-05.

With the elimination of Tables I through III of Report 43-05, BellSouth recommends that Table IV of Report 43-05, Total Switch Downtime, be reclassified as Table I. Large LECs file initial and a 30-day Final Service Disruption Reports with the Commission for key outages. Information on outages of less than 2 minutes is adequately captured under column "aq" of the Table IV, which BellSouth proposes to reclassify as Table I of Report 43-05. Accordingly, Table IV.A of Report 43-05, Occurrences of Two Minutes or More Duration Downtime, is not necessary and can be eliminated. An example of BellSouth's proposed Report 43-05 is attached as Exhibit IV.

### e. Eliminate Table V of Report 43-05, Service Quality Complaints.

The Commission obtains data regarding Service Quality Complaints from other areas; thus, Table V represents a duplication of effort. Moreover, state Service Quality matters fall within the jurisdiction of state regulators who have established appropriate measures to monitor such issues. Accordingly, this Table is unnecessary and can be eliminated.

### f. Eliminate Report 43-06, Customer Satisfaction Report.

This is an outdated Report that was established prior to the passage of the 1996 Act. In an increasingly competitive environment, dissatisfied customers can simply change carriers.

Additionally, the Report does not incorporate an industry standard survey methodology and thus any use of this report for benchmarking would be inappropriate. Because the Report no longer serves the public interest it should eliminated.

Commission established the price-cap regime, the quality of service offered by price cap carriers has not been a particular concern. It is time for the FCC to declare victory on this issue.")

### g. Eliminate Table I of Report 43-07, Switching Equipment.

There is no need for an incumbent LEC such as BellSouth, which for years has lead 100 percent of its lines or switches equipped for capabilities such as Equal Access, Touch-Tone capability, and Signaling System 7 ("SS7"), to continue to report to the obvious. This is a wholly unnecessary expense. BellSouth understands that the Commission may want to continue to monitor the progress of those carriers that have not fully deployed the new technology, but there is no need for the industry as a whole to continue to report such archaic information.

Accordingly, this report should be eliminated for all large LECs.

### h. Eliminate Table II of Report 43-07, Transmission Facilities.

Deployment of fiber is a business necessity, driven by economics and the evolution of technology. This is true not only for the reporting LECs, but also for any company providing services in the telecommunications industry. More than 300 competitive LECs ("CLECs") currently exist in the BellSouth region. Many of these CLECs deploy fiber, however, they are not required to provide this data to the Commission. With such incomplete information, this report is basically meaningless, and BellSouth questions the usefulness to the Commission. BellSouth proposes that a streamlined Table I.B to the proposed Report 43-06, high which reports the broad scale trend from metallic cable to fiber cable, appears sufficient to provide the Commission the data needed regarding fiber facilities. An example of BellSouth's proposed Table I.B of proposed Report 43-06 is attached as Exhibit VI.

<sup>&</sup>lt;sup>15</sup> See, Section C.2.o., infra.

### i. Eliminate Table III of Report 43-07, LEC Call Set-Up Time.

The Commission has recognized that this table is no longer relevant given the wide deployment of SS7 and Integrated Services Digital Network ("ISDN") which has greatly reduced call set up time.<sup>16</sup> BellSouth agrees with the Commission's position and proposes that the Report should be eliminated.

### j. Eliminate Table IV of Report 43-07, Additions and Book Cost.

The Commission has also recognized that the information in the Report is provided in other reports.<sup>17</sup> BellSouth concurs with the Commission, and proposes that the Report be eliminated.

### k. Eliminate Table I.A of Report 43-08, Outside Plant Statistics-Cable and Wire Facilities.

This Report requires unnecessary information, such as account classification detail, and therefore, provides limited benefit when compared to the costs required to produce it. BellSouth contends that the total sheath miles and total conductor miles for cable would serve as an appropriate means of monitoring the evolution to a fiber network. Accordingly, BellSouth proposes to eliminate Table I.A of Report 43-08 and to report the total sheath miles and total conductor miles in Table I.A of the proposed Report 43-06. An example of BellSouth's proposed Table I.A of proposed Report 43-06 is attached as Exhibit V.

### I. Eliminate Table II of Report 43-08, Switched Access Lines in Service by Technology

Just as with Table I.A discussed in C.2.k, above, this Report no longer provides the

<sup>&</sup>lt;sup>16</sup> Public Notice, Common Carrier Bureau Solicits Comments on Proposed Modifications to ARMIS 43-07 Infrastructure Report, DA 98-484, released March 11, 1998, ¶ 12.

<sup>&</sup>lt;sup>17</sup> Id. ¶ 13.

<sup>&</sup>lt;sup>18</sup> See, Section C.2.o., infra.

Commission useful information in today's competitive environment. BellSouth proposes that the Report be completely eliminated. However, if the Commission deems the information necessary, reporting of the information should be moved to Table II of the proposed Report 43-06. <sup>19</sup> An example of BellSouth's proposed Table II of proposed Report 43-06 is attached as Exhibit VII.

## m. Eliminate Table III of Report 43-08, Access Lines in Service by Customer.

This Table is largely a restatement of Table II that is redefined to measure the transmission of information in a digital vs. analog format. Disclosure of such information puts BellSouth at a competitive disadvantage. This is especially true considering that none of BellSouth's competitors have to report this information. Accordingly, the Commission should dispense with requiring this Report.

### n. Eliminate Table IV of Report 43-08, Telephone Calls.

Call volume and minutes of use information represent highly proprietary and competitively sensitive market intelligence. Moreover, the information reported in this Report is meaningless unless the Commission requires the same information from the hundreds of competitors within BellSouth's region. Accordingly, requiring the reporting of such information represents unnecessary regulation and is unjustified.

<sup>&</sup>lt;sup>19</sup> See, Section C.2.o., infra.

### o. Create a New Report to be Named 43-06.

BellSouth proposes that the Commission create a new report to be named 43-06.<sup>20</sup> This report should include data such as access line counts, central office switch information, ISDN control channels, and much of the statistical data currently included in Report 43-08. The Tables for this Report are discussed in Sections C.2.h., k, and l above.

#### D. ARMIS Reporting Requirements for Large Incumbent LECs.

As discussed in the Introduction, the <u>Notice</u> denies reduced ARMIS reporting requirements to large LECs opting to limit relief to mid-sized LECs only. The Commission cited the identical reasons in Section D of the <u>Notice</u> for requiring large LECs to continue the current ARMIS reporting requirements as it cited in the <u>Accounting Notice</u> for denying accounting and costs allocation relief to large LECs. Indeed, very few words differ between the two notices. As discussed above, BellSouth contends that the arguments against these reasons are equally identical. Accordingly, BellSouth directs the Commission's attention to Section II in the Accounting Notice comments which are attached as Appendix A.

#### **CONCLUSION**

BellSouth urges the Commission to recognize the telecommunications industry has changed dramatically in the last ten years and that many of the accounting rules, and therefore the reporting requirement for such rules implemented a decade ago for rate of return regulation are obsolete and serve no useful purpose. BellSouth believes the ARMIS reporting requirements reports under Class A accounting are continued vestiges of rate of return regulation and do not reflect the change that has occurred and continues to occur in the telecommunications industry. Under the 1996 Act, the Commission has an unambiguous statutory mandate to verify or

<sup>&</sup>lt;sup>20</sup> This assumes that the existing Report 43-06 is eliminated.

eliminate regulation that is no longer needed as a result of this change in the industry. Thus, the Commission should follow Congress' mandate and eliminate or modify ARMIS reporting requirements that are no longer in the public interest. Accordingly, the Commission should adopt the recommendations set forth in these Comments.

Respectfully submitted,

BELLSOUTH CORPORATION AND BELLSOUTH TELECOMMUNICATIONS, INC.
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Date: August 20, 1998

#### EXHIBIT I SHEET 1 OF 3

FCC REPORT 43-01 ARMIS ANNUAL REPORT

**COMPANY: BellSouth Telecommunications** 

STUDY AREA: BST

PERIOD: From Jan 1997 To Dec 1997

Approved By OMB Expires: Unrestricted Version SUBMISSION 1 TABLE I PAGE 1 OF 2

### TABLE I - COST AND REVENUE TABLE (Dollars in thousands)

	(a)	(b)	(c)	(d) All Other	(e) ARMIS	(f) Subject to	(g)	(h)
		<u>Total</u>	Nonreg	<b>Adjustments</b>	<u>Adjustments</u>	Separations	<u>Interstate</u>	State
	Revenues							
1010	Basic Local Services	8,657,516	0	0	327	8,657,189	0	8,657,189
1020	Network Access Services	4,416,416	0	0	47,312	4,369,104	3,585,000	784,104
1030	Toll Network Services	713,636	0	0	0	713,636	14,536	699,100
1040	Miscellaneous	529,217	0	0	0	529,217	91,683	437,534
1045	Nonregulated	559,727	559,727	0	0	0	0	0
1050	Settlements	(41,921)	0	0	0	(41,921)	6	(41,927)
1060	Uncollectible	168,375	8,574	0	0	159,801	38,295	121,506
1090	Total Operating Revenues	14,666,216	551,153	0	47,639	14,067,424	3,652,930	10,414,494
	Expenses							
1120	Plant Specific	2,652,685	244,288	0	203	2,408,194	609,878	1,798,316
1130	Plant Non-Specific	983,568	80,294	0	14	903,260	230,983	672,277
1140	Customer Operations Marketing	694,348	148,998	0	0	545,350	150,217	395,133
1150	Customer Operations Services	1,126,253	75,095	0	(1,235)	1,052,393	216,791	835,602
1160	Corporate Operations	1,364,126	97,800	0	8	1,266,318	306,963	959,355
1170	Access	71,707	0	0	(4,772)	76,479	4,772	71,707
1180	Depreciation/Amortization	3,292,430	55,532	0	46	3,236,852	842,185	2,394,667
1185	FCC Expense Adjustment	0	0	0	(5.700)	0	424	N/A
1190	Total Operating Expenses	10,185,117	702,007	0	(5,736)	9,488,846	2,362,213	7,127,057
	Other Operating Items							
1290	Other Operating Income/Losses	(333)	(1)	0	0	(332)	(117)	(215)
	Non-Operating Items							
1320	Inc Effect/Jurisdictional Diff (Rev)	(388,838)	0	0	0	(388,838)	0	(388,838)
1330	Extraordinary Items (Rev)	(9,324)	0	0	(9,324)	0	0	0
1340	AFUDC (Rev)	16,155	133	0	0	16,022	4,082	11,940
1350	Special Charges (Exp)	39,518	1,558	0	22,048	15,912	4,060	11,852
1360	All Other Non-Oper Items (Rev)	416,369	416,228	0	0	141	0	141
1370	FCC Non-operating Adj (Exp)	0	0	_	0	0	0	0
1390	Total Non-oper Items (Exp)	5,156	(414,803)	) 0	31,372	388,587	(22)	388,609
	Other Taxes							
1410	State And Local Income	166,302	(10,363)	) 0	29,917	146,748	53,309	93,439
1420	Other State And Local	591,471	5,736	0	13	585,722	118,808	466,914
1490	Total Other Taxes	757,773	(4,627)	) 0	29,930	732,470	172,117	560,353
	Federal Income Taxes							
1510	Fixed Charges (Exp)	548,600	9,913	-	16,529	522,158	131,207	390,951
1520	IRS Income Adjustment (Rev)	19,029	0		2,044	16,985	(155)	17,140
1530	FCC Taxable Income Adj (Rev)	0	0	_	0	0	700	(700)
1540	ITC Amortization (Rev)	44,639	245		(193)	•	11,420	33,167
1550	FCC ITC Adjustment (Rev)	0	0	_	0	0	0	0
1590	Net Federal Income Taxes (Exp)	1,076,050	(71,986	) 0	16,336	988,619	334,325	654,390

#### EXHIBIT I SHEET 2 OF 3

FCC REPORT 43-01
ARMIS ANNUAL REPORT

COMPANY: BellSouth Telecommunications

STUDY AREA: BST

PERIOD: From Jan 1997 To Dec 1997

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	(a)	(b)	(c)	(d) All Other	(e) ARMIS	(f) Subject to	(g)	(h)
		<u>Total</u>	Nonreg	<b>Adjustments</b>	Adjustments	Separations	interstate	State
	Plant-in-Service							
1620	Support Plant	6,386,564	419,021	0	26,826	5,940,717	1,459,045	4,481,672
1630	Operator Systems Equipment	152,944	255	0	9,737	142,952	19,999	122,953
1640	COE-Switching	8,364,798	157,262	0	503,364	7,704,172	1,178,246	6,525,926
1650	COE-Transmission	10,156,892	32,680	0	158,442	9,965,770	3,384,204	6,581,566
1660	Cable And Wire Facilities	21,620,126	44,480	0	388,628	21,187,018	5,417,238	15,769,780
1670	IOT Equipment	394,054	7,081	0	(61,852)	448,825	111,989	336,836
1680	Amortizable Assets	127,913	9,740	0	(140)	118,313	29,169	89,144
1690	Total Plant-In-Service	47,203,291	670,519	0	1,025,005	45,507,767	11,599,890	33,907,877
	Other Investments							
1705	Other Jurisdictional Assets-Net	(484,271)	0	0	(193,783)	(290,488)	0	(290,488)
1710	Property Held For Future Use	12	0	0	(18)	30	9	21
1720	Plant Under Construction	313,682	3,427	0	16, <b>638</b>	293,617	74,828	218,789
1730	Plant Acquisition Adjustment	2,537	12	0	2,525	0	0	0
1740	Invest in Nonaffil Companies	3,243	3,243	0	0	0	0	0
1750	Other Deferred Charges	389,891	12,171	0	377,720	0	0	0
1760	Inventories	227,588	4,931	0	(27,094)	249,751	63,910	185,841
1770	Cash Working Capital	0	0	0	0	0	(54,959)	54,959
1780	FCC Investment Adjustment	0	0	0	0	0	65,451	(65,451)
1790	Total Other investments	452,682	23,784	0	175,988	252,910	149,239	103,671
	Reserves							
1820	Accumulated Depreciation	24,154,738	277,816	0	969,807	22,907,115	5,946,729	16,960,386
1830	Accumulated Amortization	76,257	5,783	0	(471)	70,945	17,502	53,443
1840	Deferred FIT	3,117,824	(3,566)	) 0	60,350	3,061,040	745,074	2,315,966
1850	Customer Deposits	46,760	1,370	0	1,341	44,049	11,199	32,850
1870	Other Deferred Credits	164,141	117,145	0	1,888	45,108	11,502	33,606
1880	Other Juris Liab & Def Crs-Net	2,026,126	0	0	1,027,474	998,652	255,362	743,290
1885	FCC Reserve Adjustment	0	0	0	0	0	0	0
1890	Total Reserves	29,585,846	398,548	0	2,060,389	27,126,909	6,987,368	20,139,541
	Return Data							
1910	Average Net Investment	N/A	N/A			,,	4,761,761	13,872,007
1915	Net Return	N/A	N/A			N/A		N/A
1920	Rate Of Return	N/A	N/A					N/A
1925	FCC Ordered Refund	N/A	N/A					N/A
1926	Refund Adjusted for Taxes	N/A	N/A					NA
1930	Net Return Including FCC Refund	N/A	N/A					N/A
1935	Rate Of Return (including refund)	N/A	N/A	N/A	N/A	N/A	16.47%	N/A

### NEW ARMIS REPORT 43-01 COLUMN DEFINITIONS

Column

b. <u>Total</u> - This column reflects the operating results for each of the rows itemized in this report and includes all regulated and non-regulated company operations for each row. These amounts are presented prior to separation between state and interstate jurisdictions and are reported as booked, per Part 32 of the Commission's Rules.

Definition

- c. Non-regulated This column reflects the amount of each row pertaining to non-regulated activities in compliance with Part 64 of the Commission's Rules.
- d. All Other Adjustments This column reflects the costs of any other specifically defined adjustments for removal prior to jurisdictional separations. Costs related to Unbundled Network Elements, which could be identified from internal company records and from within the existing Part 32 account structure, would be included in this column.
- e. <u>ARMIS Adjustments</u> This column reflects adjustments such as accounting adjustments necessary to arrive at the amount subject to jurisdictional separation.
- f. Subject to Separations This column reflects that portion of each row that must be allocated between state and interstate jurisdictions pursuant to Part 36 of the Commission's Rules. Column (b) less columns (c), (d), (e) and (f). This amount also equals the sum of columns (h) and (i) except for those rows where N/A appears in column (g).
- g. <u>Interstate</u> This column reflects that portion of each row that is allocated to the interstate jurisdiction for which this schedule is being filed, pursuant to Part 36 of the Commission's Rules.
- h. State This column reflects that portion of each row that is allocated to the state jurisdiction for which this schedule is being filed, pursuant to Part 36 of the Commission's Rules. The cost of de-tariffed CPE shall be entered in this column pursuant to Part 36.142.